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TAGS: EGEN, ECON

SUBJECT: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT,
APRIL 19, 1977

1. PRELIMINARY EVALUATION NOTES GSP SUCCESS; SEVERAL EA
COUNTRIES BENEFIT SUBSTANTIALLY (UNCLASSIFIED)

IN ITS FIRST YEAR, THE US GENERALIZED SYSTEM OF TARIFF
PREFERENCES WAS A SUCCESS IN ACHIEVING ITS OBJECTIVES:
INCREASING LDC EXPORTS TO THE US AND PROMOTING LDC EXPORT
DIVERSIFICATION.

US IMPORTS FROM GSP-DESIGNATED COUNTRIES INCREASED 31
PERCENT FROM 1975 TO 1976 TO DOLLARS 24.3 BILLION. US
IMPORTS OF GSP ITEMS FROM THESE COUNTRIES, ACCOUNTING
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FOR 18 PERCENT OF THIS TOTAL, INCREASED 65 PERCENT FROM
1975 TO 1976 TO DOLLARS 4.3 BILLION. US IMPORTS OF
NON-GSP ITEMS FROM THESE COUNTRIES, ACCOUNTING FOR 82
PERCENT OF THE TOTAL, INCREASED 25 PERCENT TO DOLLARS
20.0 BILLION. THE DIFFERENCE IN THESE GROWTH RATES
(65 PERCENT COMPARED TO 25 PERCENT) CLEARLY SHOWS THE
IMPACT OF THE GSP SCHEME ON LDC EXPORTS.

IN ADDITION, THE PERCENTAGE SHARE OF US GSP IMPORTS FROM

LDCS ELIGIBLE FOR TARIFF PREFERENCES INCREASED AT THE EXPENSE OF DEVELOPED COUNTRIES' AND INELIGIBLE LDCS' MARKET SHARE. IN 1975, GSP-DESIGNATED COUNTRIES SUPPLIED 23.3 PERCENT OF THE US IMPORTS OF GSP ITEMS; IN 1976, THE PERCENTAGE SHARE HAD RISEN TO 24.7.

IN EAST ASIA KOREA AND TAIWAN WERE THE BIG BENEFICIARIES, NEARLY DOUBLING THEIR GSP EXPORTS TO THE US (PLUS 95.3 PERCENT AND PLUS 93.4 PERCENT RESPECTIVELY), ALTHOUGH THE PHILIPPINES (PLUS 76.1 PERCENT) AND HONG KONG ALSO DID WELL (PLUS 75 PERCENT). SINGAPORE REGISTERED A LESS MARKED GROWTH (PLUS 41.1 PERCENT), WHILE THAILAND WAS THE ONLY EA COUNTRY WHERE NON-GSP EXPORTS GREW AT A FASTER RATE THAN THOSE ACCORDED PREFERENTIAL TREATMENT (PLUS 27.6 PERCENT VERSUS PLUS 24.7 PERCENT).

2. NEW PER CAPITA GNP FIGURE FOR PL-480 LEGISLATION PROPOSED (UNCLASSIFIED)

THE ADMINISTRATION HAS PROPOSED THAT THE PER CAPITA GNP FIGURE USED TO DELINEATE THE POORER LDCS TO WHICH 75 PERCENT OF OUR PL-480 MUST FLOW BE RAISED FROM DOLLARS 300 TO DOLLARS 520. THE LATTER IS THE FIGURE USED BY IDA AS A DEFINITION OF A POOR NATION. THE GREATEST ADVANTAGE OF THE IDA LEVEL, HOWEVER, IS THAT IT IS ADJUSTED FOR INFLATION. SENATOR HUMPHREY HAS ACCEPTED LIMITED OFFICIAL USE

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THIS FIGURE AND IT IS FELT CHANCES FOR ITS ADOPTION BY THE CONGRESS ARE REASONABLY GOOD, A DECISION WHICH MUST BE MADE BEFORE MID-MAY.

3. US POSITION ON IBRD PALM OIL LOAN TO INDONESIA DISCUSSED (LIMITED OFFICIAL USE)

WE ARE IN DISAGREEMENT WITH TREASURY OVER THE US POSITION ON A FORTHCOMING IBRD LOAN TO INDONESIA FOR PALM OIL DEVELOPMENT. WE WISH TO ADHERE CLOSELY TO THE "GUIDELINES" ON THE SUBJECT PASSED BY THE NAC LAST YEAR. THESE SPECIFY THAT WE WOULD GENERALLY NOT SUPPORT PALM OIL LOANS, THE ONLY EXCEPTIONS BEING PROJECTS INTENDED PRIMARILY FOR DOMESTIC CONSUMPTION, ABLE TO BE FINANCED COMMERCIALY AND/OR ALREADY IN THE BANK'S PROJECT PIPELINE. WE HAVE ASKED EMBASSY JAKARTA TO GIVE US AN APPRAISAL OF THE PROJECT NOW UNDER CONSIDERATION IN LIGHT OF THESE GUIDELINES SO THAT WE MAY DECIDE OUR POSITION. IN THIS REGARD, WE WOULD HOPE THAT EVEN IF WE

CANNOT SUPPORT THE LOAN, WE CAN ABSTAIN RATHER THAN VOTE NO. TREASURY, ON THE OTHER HAND, UNEASY OVER AN AMENDMENT IN THE HOUSE FY 78 IFI AUTHORIZATION LEGISLATION, REQUIRING A NEGATIVE PALM OIL VOTE, IS PRESSING US

TO AGREE TO OPPOSE THE LOAN NOW AND EVEN WISHES US TO ASK THE IBRD TO WITHDRAW THE LOAN BEFORE IT COMES TO A VOTE. AS THIS GOES SUBSTANTIALLY BEYOND THE GUIDELINES AGREED TO WE PLAN TO OPPOSE THE TREASURY POSITION.

4. STATE/STR TO BEGIN SHOE NEGOTIATIONS IN EAST ASIA
(LIMITED OFFICIAL USE)

STATE AND STR WILL BE SENDING REPRESENTATIVES TO EAST ASIA IN EARLY MAY TO BEGIN NEGOTIATIONS WITH KOREA TAIWAN ON A RESTRAINING AGREEMENT COVERING THEIR SHOE EXPORTS TO THE US. AS PART OF THIS EXERCISE VISITS MAY BE MADE TO LIMITED OFFICIAL USE

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THE PHILIPPINES AND HONG KONG TO ALERT THOSE GOVERNMENTS TO OUR SENSITIVITIES CONCERNING SHOE IMPORTS AND TO DEMONSTRATE TO SEOUL AND TAIPEI THAT WE WOULD NOT ACCEPT SUBSTITUTION OF IMPORTS FROM OTHER EA COUNTRIES IN LIEU OF AMOUNTS WHICH THE LARGER, TRADITIONAL EXPORTERS WILL FORGO AS A RESULT OF A RESTRAINT AGREEMENT.

5. TRADE AND INVESTMENT SESSIONS PLANNED FOR EAST ASIA
(UNCLASSIFIED)

PBEC AND STANFORD RESEARCH INSTITUTE PLAN TRADE AND INVESTMENT MEETINGS IN EAST ASIA.

IN RESPONSE TO OUR INTEREST IN PROMOTING AN INCREASED DIALOGUE BETWEEN THE US AND ASEAN PRIVATE SECTORS, WE LEARNED THAT STANFORD RESEARCH INSTITUTE (SRI) AND THE PACIFIC BASIN ECONOMIC COUNCIL (PBEC) ARE PLANNING TO HAVE SEVERAL MEETINGS IN THE REGION. SRI WILL HAVE A SESSION ON JANUARY 23-25, 1978 IN HONG KONG ON "WORLD TRADE AND INVESTMENT WITH AN EMPHASIS ON THE PACIFIC, INCLUDING ASEAN". PBEC WILL HOLD A MEETING IN MANILA FROM MAY 8-10, 1978, THE EXACT THEME OF WHICH WILL BE SET THIS COMING MAY OR IN OCTOBER, AND SRI WILL HOLD A MEETING IN JAKARTA SEPTEMBER 12-15, 1978 ON "BUSINESS IN SOUTHEAST ASIA AND TRADE AND INVESTMENT IN THE ASEAN REGION". THESE MEETINGS WILL BE HELD IN CLOSE LIAISON WITH ASEAN THROUGH THE ASEAN CHAMBER OF COMMERCE AND INDUSTRY.

6. EXECUTIVE COMMITTEE OF THE ASSOCIATION OF NATIONAL RUBBER PRODUCING COUNTRIES (ANRPC) MEETS IN JAKARTA

(UNCLASSIFIED)

ANRPC IN AN APRIL 5-8 SESSION CHAIRED BY INDONESIAN
DIRECTOR GENERAL FOR FOREIGN TRADE DR. SUHADI CALLED
FOR CONTINUED EFFORTS TO REACH A PRICE STABILIZATION
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AGREEMENT IN COORDINATION WITH UNCTAD. ACCORDING TO

PRESS REPORTS A PAPER WAS DRAFTED TO BE PRESENTED AT THE
SECOND UNCTAD PREPARATORY MEETING ON RUBBER IN JUNE,
PROPOSING INTER ALIA THAT REQUIREMENTS MADE OF CONSUMERS,
INCLUDING CONTRIBUTIONS TO THE FORMATION OF BUFFER
STOCKS, BE AGREED TO IN ADVANCE OF PARTICIPATION IN
THE PRICE STABILIZATION ARRANGEMENTS.

7. BROAD LOOK AT US-LDC RELATIONS PLANNED
(LIMITED OFFICIAL USE)

UNDER NSC CHAIRMANSHIP, AN INTERAGENCY GROUP HAS BEGUN
TO LOOK AT OUR LONG RANGE RELATIONS WITH THE LDCS.
THIS EXERCISE IS DESIGNED TO BE A PROBING IN DEPTH,
NOT TIED TO A SPECIFIC TIMETABLE. NO REAL CONCLUSIONS
ARE EXPECTED BEFORE JULY.

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